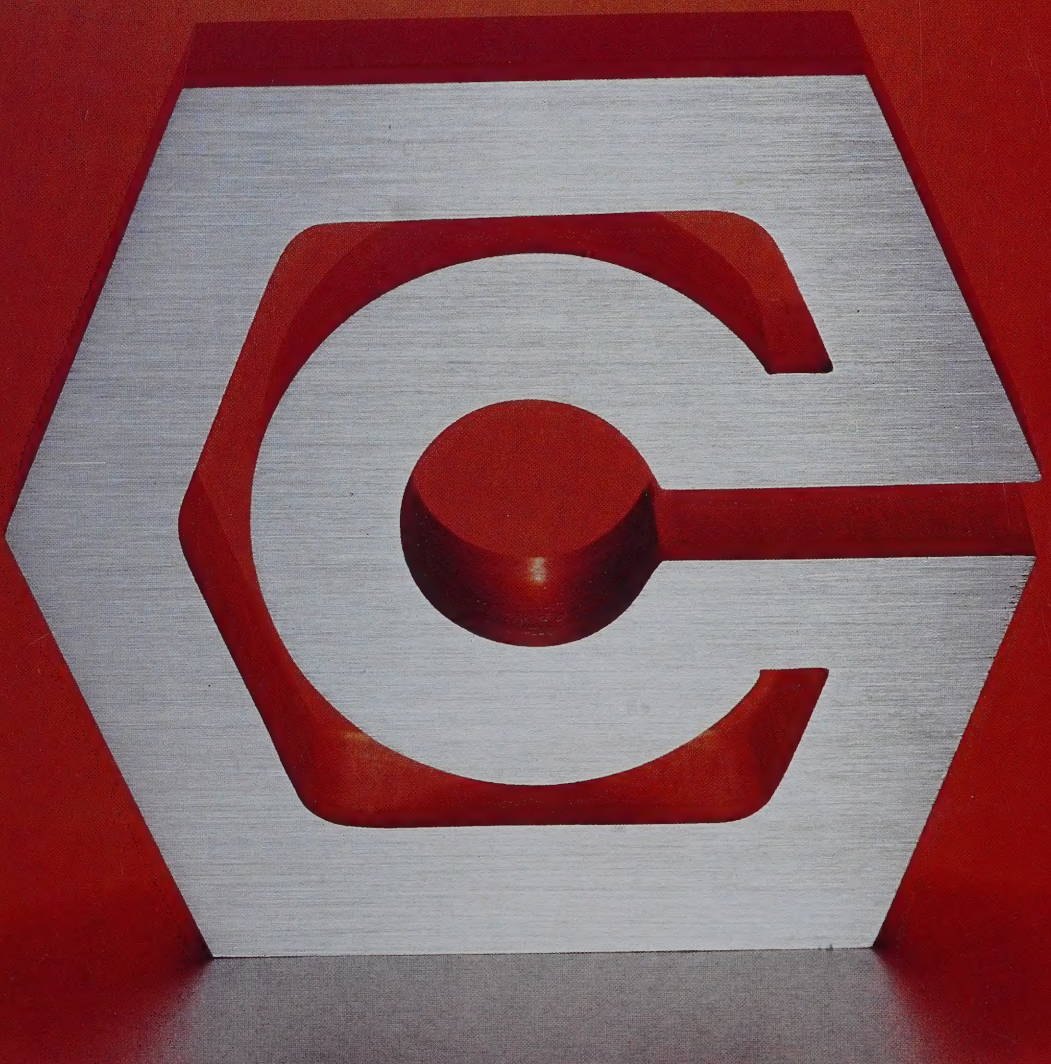
CANRON
LIMITED

Annual Report 1977



Contents:

Head Office:

1 Place Ville Marie,
Montreal, Quebec
H3B 2A8

Stock Listings:

Montreal, Toronto and
Vancouver Stock Exchanges

Transfer Agent:

Montreal Trust Company,
Montreal, Toronto, Halifax,
Winnipeg, Regina, Calgary,
Vancouver

Registrar:

The Royal Trust Company,
Montreal, Toronto, Halifax,
Winnipeg, Regina, Calgary,
Vancouver

Annual Meeting:

The sixty-second annual meeting of shareholders will be held in Salon Viger, Château Champlain Hotel, Montreal, Quebec, on Wednesday, April 26, 1978, at 11:00 a.m.

Si vous désirez recevoir
ce rapport annuel en français,
prière d'en aviser
le secrétaire de
Canron Limitée
1 Place Ville Marie,
Montréal, Québec,
H3B 2A8

Highlights

	1977	1976	Increase (Decrease)
	(in thousands of dollars – except per share figures)		
Sales			
Quarterly			
First	**$ 81,171**	$ 67,512	20.2%
Second	**$ 91,374**	$ 82,714	10.5%
Third	**$ 91,435**	$ 80,985	12.9%
Fourth	**$ 99,121**	$107,266	(7.6)%
Year	**$363,101**	$338,477	7.3%
Earnings			
Amount	**$ 10,365**	$ 12,983	(20.2)%
% of Sales	**2.9%**	3.8%	—
Order Backlog at Year-end	**$171,449**	$206,105	(16.8)%
Working Capital	**$ 64,384**	$ 61,764	4.2%
Capital Expenditures	**$ 11,236**	$ 13,306	(15.6)%
Per common share			
Earnings			
Quarterly			
First	**$ 0.55**	$ 1.07	(48.6)%
Second	**$ 1.01**	$ 1.52	(33.6)%
Third	**$ 1.08**	$ 1.40	(22.9)%
Fourth	**$ 1.32**	$ 1.06	24.5%
Year	**$ 3.96**	$ 5.05	(21.6)%
Net Earnings	**$ 3.96**	$ 5.05	(21.6)%
Dividends paid	**$ 1.72**	$ 1.60	7.5%
Book Value	**$ 29.74**	$ 27.56	7.9%

Common Share Market Information

1977	High	Low	Close	Shares Traded	Dividends Paid
First Quarter	23½	20⅜	20¾	139,058	$0.43
Second Quarter	24¼	20	24	251,651	$0.43
Third Quarter	25⅜	23⅛	23¼	166,426	$0.43
Fourth Quarter	23⅞	21¼	23⅞	109,750	$0.43
Year	25⅜	20	23⅞	666,885	$1.72
1976	24¼	17⅞	23	731,900	$1.60

Valuation Day (Dec. 22, 1971) share prices:
Common $19.38
Preferred – 1956 Series $70.00

Canron is . . .

a Canadian owned and managed corporation fabricating products and equipment for heavy industry throughout the world.

The corporation currently employs 5600 people at plants and offices in Australia, Britain, Canada, France, Italy, Japan, Spain, Switzerland, United States and West Germany.

Direction and control of the Company with its diversified product lines and widely dispersed operations is accomplished with a decentralized divisional type of organization.

The Company's business strategy is to maximize the use of existing manufacturing and marketing expertise and to seek opportunities for profitable growth. Thus along with internal expansion and product development, the Company will pursue acquisition opportunities.

Directors' Report to the Shareholders

The Company's financial results for 1977 reflected to a large extent a number of difficulties associated with a sluggish business environment in Canada and continuation of the unsatisfactory performance at the Company's railway equipment operations in Europe. These troubles were offset somewhat, however, by a very strong performance from Canron's expanding operations in the United States. Notwithstanding the uncertainties of 1977, the Company's overall performance for the year was quite satisfactory in many ways.

Most of Canada's economic problems can be traced to excessive monetary growth and lack of government budgetary discipline in the mid 1970s. These problems have been compounded by high manufacturing costs and further aggravated by unstable world-wide economic conditions. Anti-Inflation controls, while moderating certain cost elements, have upset normal market forces and inhibited corporate investment decisions. We welcome the fact that the schedule for removal of controls has now been set.

Financial

Sales in 1977 were $363 million, up 7% from last year and the second highest on record. The majority of the increase came from U.S. based operations and exports from Canada. The Company's U.S. divisions provided approximately one-half of the consolidated operating profit.

The Operations section of this report provides a thorough review of the Company's various business activities. Certain areas are of particular significance. The Canron Railgroup market in North America continued to expand as the U.S. railways increased spending on track repairs and general upgrading of the whole railway system; sales of track maintenance equipment in Canada were also strong. In Europe sales opportunities were poor, reflecting the economic constraints of many railways. Despite cost reductions and other remedies undertaken in the previous year, losses continued at the European operations. In the first half of 1977 major management changes and staff reductions were made along with a complete analysis of products, markets and costs. This resulted in special provisions covering product obsolescence, staff severance payments and other related charges. An accounting change, relative to manufacturing overhead gave rise to a non-recurring gain.

Markets in Canada for water pipe declined for the second consecutive year as a consequence of reduced government spending and a slow-down in urban and subdivision developments, mainly in Eastern Canada.

The volume of fabricated structural steel sold was close to 1976 levels. However, market conditions continued to decline throughout the year and 1977 bookings not only were low but at substantially reduced margins.

As a consequence of these key industry situations, net earnings of $3.96 per common share were 22% lower than 1976 earnings of $5.05. The return on common shareholders equity declined to 13.2% from 18.1%.

The financial condition of the Company continued strong with a year-end working capital ratio of 1.77:1.00, fractionally ahead of 1976. The equity portion of capital employed again increased, representing continued progress in maintaining a strong balance sheet, especially in a period of economic uncertainty. The year-end debt/equity ratio was 28:72.

Dividends

The dividend on common shares was maintained at 43¢ per quarter, for a total payment of $1.72 per share in 1977. The Company has generally followed a policy of paying between 35% and 40% of the average net earnings over a period of years. The 1977 dividends totalled 43%, which did not materially affect the longer term average payment.

Capital Expenditures

Capital expenditures of $11 million were below earlier expectations mainly as the result of rescheduling two projects. The new "Hyprescon" concrete water pressure pipe plant at Cochrane, Alberta, commenced production in May. Important projects now underway include new electric melt furnaces for the ductile iron pipe plant at Trois-Rivières, Québec, and the iron foundry at New Liskeard, Ontario. Modernization of the foundry facilities at St. Thomas, Ontario, was also started. Capital expenditures for 1978 are currently estimated at between $12 million and $14 million.

Board of Directors and Management

Howard J. Lang retired as Chief Executive Officer on April 27, 1977 and continued as Chairman of the Board of Directors. Clifford S. Malone, President since 1972, was elected Chief Executive Officer. William S. Cullens, Executive Vice-President, was appointed Chief Operating Officer and William Niles was appointed Executive Vice-President, Finance.

Subsequent to year end, Frank E. Miller, Vice-President, assumed responsibilities for Corporate Development, and Guy F. Talbot joined the Company as Group Vice-President, Pipe and Foundry.

H. J. Lang
Chairman of the Board

C. S. Malone
President and Chief Executive Officer

Another senior management change in 1977 was the appointment of Jacques Robert as General Manager – Canrep division.

It is with regret that we record the death of Mr. H. E. McKeen who had been an Honorary Director of the Company since his retirement from the Board in 1970. During his active years as a director and member of the Executive Committee, Mr. McKeen contributed immeasurably to the successful operation of the Company and always was a most dedicated and strong supporter of the Company and its people.

Mr. M. W. Mackenzie, in anticipation of his retirement later in the year pursuant to corporate policy, resigned as Vice-Chairman of the Board in April and subsequently retired as a director of Canron in February, 1978. In the course of his seventeen years' association with the Company he served with distinction as a member of the Executive Committee for fifteen years and as Vice-Chairman of the Board for ten years. In recognition of his excellent judgement and able counsel to the Company, he was appointed an Honorary Director by the members of the Board. Mr. James T. Black, President of The Molson Companies Limited, was elected to the Board to fill the vacancy.

Canron has an energetic and enthusiastic group of employees, and these qualities are especially important during difficult business periods. Their proven abilities and willingness to attack problems as well as to take advantage of opportunities gives us confidence that the decline of the past year will be reversed in the coming year. The Board of Directors is sincerely appreciative of the contribution of all employees.

Outlook

In the past several years there have been significant changes in the Company's product mix, market areas and overall business growth. We expect in 1978 that approximately one-third of volume will come from non-Canadian based operations and that exports from Canada will increase.

The current economic scene in Canada is clouded by many uncertainties, making forecasts most difficult. There is an obvious urgent need for the resolution of current political uncertainty and a restoration of business confidence.

One of the unknowns will be the effects of removal of Anti-Inflation controls on wage and salary settlements. The Company will be engaged in negotiations on 24 separate employment contracts in 1978, of which 19 expire subsequent to the April 14 decontrol date. In view of the prevailing depressed economic conditions, the high level of unemployment and the difficult worldwide competitive position of Canadian manufacturing industry, it is essential that the demands of organized labour be responsible and rational.

The Company will continue to be subject to price and profit controls until the end of 1978, but market forces will govern price levels to a greater extent than AIB constraints.

Canron's product lines face varied market conditions. The fabricated structural steel industry is operating at about 50% of capacity. Under these circumstances markets are very competitive and profit margins on contract bookings are most unsatisfactory. No major change in the level of heavy construction is expected until some of the Western resource projects come to fruition.

The iron and concrete water pipe market should improve with the release of a series of projects which have been withheld over the past two years due to financial constraints.

The demand for railroad maintenance equipment on a world wide basis continues to grow and excellent business opportunities exist for Canron Railgroup, including the European operations.

Emphasis is being given to strategic planning and the development of corporate objectives and new business ventures, including acquisitions.

We expect better performance in 1978.

On behalf of the Board,

H. J. Lang
Chairman of the Board

C. S. Malone
President and Chief Executive Officer

Montreal, Québec, March 31, 1978


CANRON

CANRON AR19

Making Iron with a Computer

A foundry metallurgist and a gourmet chef have something in common — each seeks the ultimate in recipes for their respective products.

Canron's metallurgists are skilled in the art of determining the best mixture of materials to produce high quality Gray, Ductile and Alloyed Irons. Their capabilities combine experience, intuition and the art of the profession. They now receive formidable assistance through the utilization of a mathematical technique combined with the company's large scale computer. This technique is known as correlation analysis and referred to as the "Charger Program" and is used extensively in the Foundry division.

The Charger Program consists of a computerized file of chemical and metallurgical properties required for each type of iron, together with extensive current data on availability and prices of the raw materials needed to produce the various alloys. With this base data the computer is capable of testing several thousand combinations of materials ranging from a few ounces of some to several tons of others and of determining which "recipe" meets the required specifications and is least costly.

Canron produces over 40 alloys and the combinations of materials which can be used to produce this array of iron are almost endless. This very extensive range of alloy irons have divers applications where there is a need for high strength or resistance to abrasion and corrosion or a combination of these properties. The computer in a matter of minutes does the job which an experienced metallurgist would be lucky to complete manually in three or four hours. The utilization of this kind of electronic technique is an important tool in quality control and design, and is another example extending the applications of advanced technology.

L'informatique et la sidérurgie

Le métallurgiste et le chef cuisinier ont une chose en commun: chacun d'eux cherche la recette idéale.

Les métallurgistes de Canron possèdent une grande habileté à déterminer quelle est la meilleure composition qui leur permettra d'obtenir des produits de haute qualité, qu'il s'agisse de fonte grise, ductile ou alliée. Leurs aptitudes sont le fruit de l'expérience et de l'intuition et représentent en fait une certaine forme d'art au niveau de leur métier. Une aide extraordinaire leur est maintenant fournie par l'application d'une méthode mathématique programmée sur l'ordinateur à grande capacité de l'entreprise. Cette technique est connue sous le nom d'analyse corrélative et fait l'objet d'un programme spécial appliqué à la division de la Fonderie.

L'ordinateur a en mémoire toutes les données concernant les propriétés chimiques et métallurgiques exigées par chaque type de fer, ainsi que les informations les plus actuelles sur la disponibilité et le prix des matières premières nécessaires à l'élaboration des divers alliages. A partir de ces données, l'ordinateur peut examiner plusieurs milliers de combinaisons de matériaux, ajoutant quelques onces de certains à plusieurs tonnes d'autres, et déterminer quelle est la "recette" la moins dispendieuse qui correspondra le mieux aux exigences du client.

Canron produit plus de quarante alliages différents et les combinaisons de matériaux qui peuvent être utilisées pour produire cette grande variété de métaux sont pratiquement infinies. Cette gamme extrêmement large d'alliages permet de répondre à des besoins très diversifiés, qu'il s'agisse de mettre l'accent sur la solidité, la résistance à l'abrasion, la corrosion ou une combinaison particulière de ces propriétés. En quelques minutes, l'ordinateur fait le travail qu'un métallurgiste expérimenté achèverait, avec un peu de chance, en trois ou quatre heures. L'utilisation de l'électronique constitue un atout important dans le contrôle de la qualité et l'élaboration des métaux et représente un excellent exemple d'application des techniques de pointe.

Second Quarter Report to Shareholders

1977

Deuxième trimestre Rapport aux actionnaires

File

CANRON

1, Place Ville-Marie
Montréal • Québec

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"Hyprescon" concrete pipe and fittings in diameters of 48″ and 108″ at the main pumping station of the new Charles Des Baillets filtration plant at Montreal. Canron Pipe division supplied 82,000 feet of large diameter "Hyprescon" concrete pipe for Montreal's newest waterworks system.

1978, resulting in higher sales and profits compared with 1977.

CANRON LIMITED

To the Shareholders:

Sales for the first six months of 1977 were $172,545,000, up from $150,226,000 last year, while earnings were $4,097,000 or $1.56 per common share compared with $6,634,000 or $2.59 per share.

For the second quarter, sales were $91,374,000 and earnings were $2,647,000 or $1.01 per share compared with sales of $82,714,000 and earnings of $3,875,000 or $1.52 per share in the 1976 period.

The earnings decline in the first half of this year is the result of several factors. Construction contracts closed during the period carried lower profit margins than in 1976. A strike at the Trois-Rivières, Québec, plants throughout most of the second quarter (settled in mid-June) reduced potential profits in the Pipe and Mechanical divisions. Measures taken in the first half of 1977 to eliminate AIB excess revenue generated in 1976 adversely affected profits of the Foundry division.

Sales and earnings of the U.S. based divisions were at record levels. Results of the Railgroup were mixed. Demand for railway maintenance equipment in the United States was strong. In Europe, poor market conditions and operating problems continued. An extensive reorganization of this operation, including management changes and further reductions in personnel and overhead costs, is underway. Benefits of these actions should begin to be realized by year end.

The backlog of orders at June 30 of $186 million, is down $11 million from the previous quarter and $25 million from last year. While the level of orders is still relatively high, the fact that it has moved within a narrow band over the past year reflects a continuation of the general sluggishness in Canadian capital spending activity.

Business conditions in Canada affecting the company vary according to geographical location. Western Canada is firm. In the East, markets are soft, especially construction and capital goods. In the United States, we look for continued strength.

A current review of results to date and overall prospects for the balance of the year now indicates that net earnings for 1977 will likely be lower than the estimate reported at the end of the first quarter.

C. S. Malone
President and
Chief Executive Officer

Montreal, Que.
July 27, 1977

CANRON **Consolidated financial summary**
Sommaire de l'état financier con

(Unaudited — Thousands of dollars except per share amounts) (Ch

STATEMENT OF EARNINGS	2nd Quarter 2e Trimestre	
	1977	1976
Sales	**$91,374**	$82,714
Cost of Sales	**75,814**	65,814
Selling and Administrative	**9,093**	8,223
Interest	**1,254**	1,154
Income Taxes	**2,566**	3,648
NET EARNINGS	**$2,647**	$3,875
Earnings Per Share:		
Basic	**$1.01**	$1.52
Fully Diluted	**$0.98**	$1.44

SOURCE AND APPLICATION OF FUNDS	1e
FUNDS PROVIDED	**1977**
Net Earnings	**$4,097**
Depreciation & Amortization	**3,942**
	$8,039
FUNDS APPLIED	
Increases in Long-Term Receivables	**$81**
Fixed Asset Additions (net)	**4,673**
Repayment Long-Term Debt	**1,475**
Preferred Shares Redeemed	**527**
Dividends	**2,304**
	$9,060
WORKING CAPITAL	
—Increase (Decrease)	**$(1,021**
—Beginning Balance	**61,764**
—Closing Balance	**$60,743**

Signed on behalf of the Board
H. J. Lang, Director
C. S. Malone, Director

Operations

Pipe

1977 was a difficult year for the Pipe division with
om the previous year.

months ended June 30, 1977
dé, semestre terminé le 30 juin 1977
non vérifiés — en milliers de dollars, sauf les montants par action)

6 Months 1er Semestre		
1977	1976	**REVENUS**
$172,545	$150,226	Ventes
144,734	118,766	Coût des ventes
17,592	16,225	Frais de vente et d'administration
2,162	2,354	Intérêts
3,960	6,247	Impôts sur le revenu
$4,097	$6,634	BÉNÉFICE NET
		Bénéfice par action:
$1.56	$2.59	de base
$1.52	$2.46	entièrement dilué

nths mestre	
	PROVENANCE ET UTILISATION DES FONDS
1976	PROVENANCE DES FONDS
$6,634	Bénéfice net
3,269	Amortissements
$9,903	
	UTILISATION DES FONDS
$(32)	Augmentation des montants à recevoir à long terme
4,198	Nouvelles immobilisations (nettes)
1,356	Réduction de la dette à long terme
332	Rachat d'actions privilégiées
2,161	Dividendes
$8,015	
	FONDS DE ROULEMENT
$1,888	—Augmentation (Diminution)
60,520	—Solde à l'ouverture
$62,408	—Solde à la fermeture

Signé au nom du Conseil d'administration:
H. J. Lang, administrateur
C. S. Malone, administrateur

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Plastics

There were significant improvements in sales and profits compared with 1976, although highly competitive conditions continued throughout the industry.

While housing starts in 1977 were down from 1976, the Plastics division managed to increase its share of market. Material prices which are the major cost element of plastic pipe and fittings remained reasonably stable throughout 1977. The division suffered from an imbalance of inventories as a result of a five month strike at its fittings plant, which continued until the end of January 1977.

The Saint John, New Brunswick, pipe extrusion plant and business acquired late in 1976 was profitable for 1977 and enabled the division to increase its market penetration in the Maritimes. Small diameter rubber gasketed pipe, a new product for building drain and sewer applications was introduced by the division in 1977. Initial response to this product has been very favourable.

No major capital expenditures were made in 1977 as efforts were concentrated on improving production efficiency.

Housing starts in 1978 are forecast to be about the same as 1977. While competition in 1978 will likely continue to be formidable, the division expects moderately higher sales and profits compared with 1977.

CANRON LIMITED

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Business conditions in Canada affecting the company vary according to geographical location. Western Canada is firm. In the East, markets are soft, especially construction and capital goods. In the United States, we look for continued strength.

A current review of results to date and overall prospects for the balance of the year now indicates that net earnings for 1977 will likely be lower than the estimate reported at the end of the first quarter.

C. S. Malone
President and
Chief Executive Officer

Montreal, Que.
July 27, 1977

CANRON LIMITÉE

Aux actionnaires:

Le chiffre d'affaires du premier semestre de 1977 s'établit à $172 545 000, contre $150 226 000 l'année dernière à même époque; par contre, les bénéfices se dégagent à $4 097 000, soit $1.56 par action ordinaire, contre $6 634 000 soit $2.59 par action.

Le chiffre d'affaires du deuxième trimestre a atteint $91 374 000 et les bénéfices $2 647 000, soit $1.01 par action, contre $82 714 000 et $3 875 000 ou $1.52 par action, respectivement, en 1976.

La baisse enregistrée par les bénéfices au cours du premier semestre est attribuable à divers facteurs. D'une part, les marges bénéficiaires sur les contrats de construction conclus au cours de la période ont été inférieures à ce qu'elles étaient en 1976. D'autre part, la grève qui a paralysé l'usine de Trois-Rivières, au Québec, pendant la plus grande partie du deuxième trimestre, et qui n'a été réglée qu'à la mi-juin, a compromis les bénéfices potentiels de la division des Tuyaux et de celle de la Mécanique. Enfin, les mesures prises au premier semestre de 1977 pour éliminer les "revenus excessifs" définis par la C.A.I., qui avaient été enregistrés en 1976, se sont répercutées sur les bénéfices de la division de la Fonderie.

Le chiffre d'affaires et les bénéfices des divisions américaines ont atteint des chiffres records. Les résultats du groupe Rail sont assez variables. La demande de matériel d'entretien des chemins de fer a été soutenue aux Etats-Unis. Par contre, en Europe, le marché est resté faible et les problèmes d'exploitation n'ont pas été résolus. Une réorganisation profonde de ce secteur d'activité, à savoir des changements au sein de la direction, de nouvelles réductions de personnel ainsi qu'une compression des frais généraux, est en cours. Ces diverses mesures devraient faire sentir leurs effets vers la fin de l'exercice.

Les commandes en carnet atteignent $186 millions au 30 juin soit $11 millions de moins qu'au cours du trimestre précédent et $25 millions de moins que l'année dernière à même date. Bien que le niveau des commandes reste relativement élevé, le fait qu'elles aient évolué dans une fourchette très étroite au cours de l'année écoulée traduit la persistance d'une mollesse générale des investissements en immobilisations au Canada.

La conjoncture dans laquelle évolue au Canada la Société varie selon les régions. Elle reste ferme dans l'Ouest du pays alors que, dans l'Est, les marchés demeurent peu actifs notamment dans la construction et les biens d'équipement. La vigueur enregistrée aux Etats-Unis devrait par contre se maintenir.

L'examen des résultats à ce jour et les perspectives globales pour le reste de l'exercice laissent prévoir que les bénéfices nets de 1977 seront vraisemblablement inférieurs aux prévisions que nous avions faites à la fin du premier trimestre.

Président et chef de la direction

C. S. Malone

Montréal, Qué.
Le 27 juillet 1977

Operations

Pipe

1977 was a difficult year for the Pipe division with sales and profits down from the previous year.

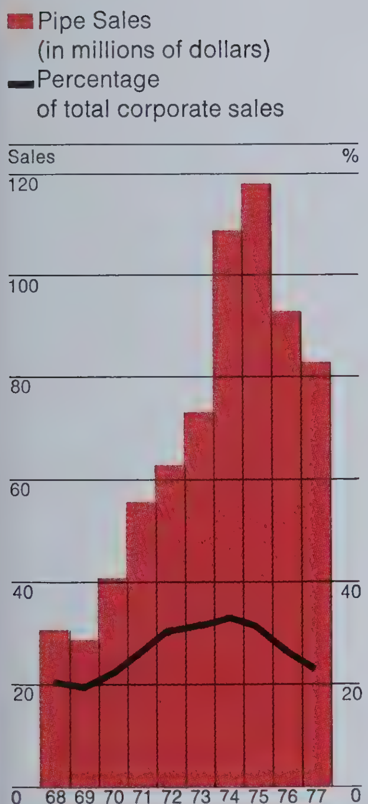
Reduced levels of public works spending on water distribution in Ontario and Québec, together with a 14 week strike in the first half of the year at the Trois-Rivières plant, depressed sales and profits. Export sales doubled this year, however, with iron pipe being supplied to Ivory Coast, Burma, Central America and the Caribbean. Sales of wear-resistant pipe to U.S. utility companies were also up. The major contracts to supply large diameter "Hyprescon" pipe to the City of Montreal were completed in 1977, as was the Tanzanian concrete water pipeline project. While the Tanzanian contract was somewhat disappointing financially, considerable experience was gained in foreign operations.

Orders continue to increase for wear-resistant iron pipe for use at coal-fired thermal electric generating plants. The exceptional physical characteristics of this product to withstand severe abrasive action make it particularly useful for transportation of fly-ash, hard rock, silica sand and other similar solids. Further development work is in progress to expand the abrasion-resistant applications of this product.

Concrete pipe capacity was increased 40% in 1977 with the addition in May of the new plant at Cochrane, Alberta, at a total cost of $5.8 million. The plant is currently capable of producing pipe in diameters from 16 to 54 inches to supply the rapidly growing markets in Western Canada. Start-up costs associated with the new plant had a minor negative impact on the 1977 results.

A new electric melt furnace and related facilities are currently being installed at the Trois-Rivières, Québec, iron pipe plant. Estimated cost of the project is $4.1 million and start-up is scheduled for April 1978. The electric furnace will eliminate existing environmental problems and reduce production costs.

Completion of major contracts in 1977 brought the order backlog more into line with normal levels, with the opening backlog for 1978 at $9.8 million. The order backlog includes a $1 million contract for a 60 inch diameter "Hyprescon" line for the Region of Peel, Ontario; the Turtle Creek project at Moncton, New Brunswick, valued at $600,000 and the Waterford Valley sewer project for St. John's, Newfoundland, at $780,000. Market conditions are expected to improve in 1978, resulting in higher sales and profits compared with 1977.



"Hyprescon" concrete pipe and fittings in diameters of 48″ and 108″ at the main pumping station of the new Charles Des Baillets filtration plant at Montreal. Canron Pipe division supplied 82,000 feet of large diameter "Hyprescon" concrete pipe for Montreal's newest waterworks system.

Plastics

There were significant improvements in sales and profits compared with 1976, although highly competitive conditions continued throughout the industry.

While housing starts in 1977 were down from 1976, the Plastics division managed to increase its share of market. Material prices which are the major cost element of plastic pipe and fittings remained reasonably stable throughout 1977. The division suffered from an imbalance of inventories as a result of a five month strike at its fittings plant, which continued until the end of January 1977.

The Saint John, New Brunswick, pipe extrusion plant and business acquired late in 1976 was profitable for 1977 and enabled the division to increase its market penetration in the Maritimes. Small diameter rubber gasketed pipe, a new product for building drain and sewer applications was introduced by the division in 1977. Initial response to this product has been very favourable.

No major capital expenditures were made in 1977 as efforts were concentrated on improving production efficiency.

Housing starts in 1978 are forecast to be about the same as 1977. While competition in 1978 will likely continue to be formidable, the division expects moderately higher sales and profits compared with 1977.

Foundry

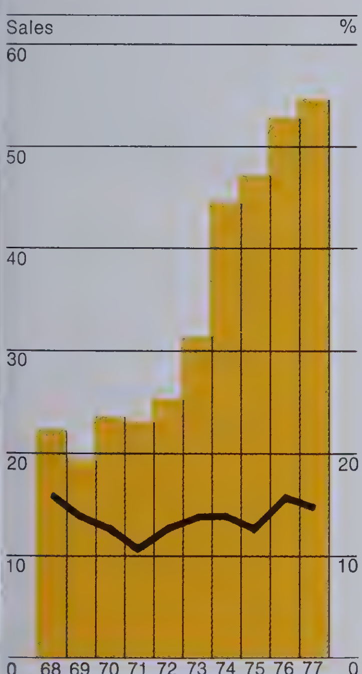
The total volume of shipments and dollar amounts for 1977 were about the same as the previous year, but margins were generally lower as a result of AIB imposed constraints.

Steel mill castings are the major product line and shipments this year equalled 1976. New products and an active programme of cost reduction were largely responsible for a turnaround in the alloy foundry after a long period of unsatisfactory results. The New Liskeard fabrication operations also made a significant profit contribution this year. On the other hand, sales of foundry products at this location suffered as a consequence of the depressed condition of the Canadian mining industry. Export orders continue to grow and the division is endeavouring to increase its export markets, particularly in the U.S.

Three major capital projects totalling $3 million were commenced in 1977. Expansion of cooling facilities at the Hamilton, Ontario, ingot mould foundry will increase capacity and product quality controls. The St. Thomas, Ontario, facilities and equipment are being modified to permit the production of a greater variety of engineered castings. The markets for some of this foundry's traditional products are diminishing and the changes will open up markets for agricultural and construction equipment castings. Two new electric melt furnaces will be installed during 1978 at the New Liskeard location. This equipment will replace the existing cupola, lower production costs, increase the variety of castings available and improve environmental conditions at the plant.

Foundry division will start 1978 with a backlog of $8.0 million, up $800,000 from the previous year. Results for the year will depend to a large degree on requirements of the basic steel and mining industries. Sales and margins in 1978 could exceed the 1977 results.

Foundry Sales (in millions of dollars)
Percentage of total corporate sales



Production of ingot moulds for the primary steel industry at Canron's Foundry division, Hamilton, Ontario. Here, a ladle is being filled with molten iron which will then be poured into sand casting flasks (seen standing in the background) to produce ingot moulds holding up to 30 tons of steel.

The P-811 track renewal train removes old rails and wooden crossties, levels the ballast, positions the new rails to the desired gauge and fixes them to the ties – all in one continuous operation with an operating team of only five men. Designed and manufactured by Canron Railgroup, the P-811 is about the length of three railroad cars and weighs 120 tons.

Railgroup

The Canron Railgroup organization concept was further strengthened in 1977 in the area of general engineering and research and development. The new structure will facilitate more efficient use of engineering resources to meet the challenges of the market place, and be more responsive to customers' special product requirements.

Tamper

Sales and operating profits for 1977 established new record highs.

Tamper operated full out in 1977 to meet the strong demands for its equipment and parts. The flow of funds from the U.S. Government's track rehabilitation programme increased during 1977 enabling the eligible railways to increase their purchases of track maintenance equipment. There was also a general increase in all track maintenance activity.

Sales to Canadian railways were also up in 1977 in part as a consequence of the federal government's programme to upgrade branch line service in rural areas, particularly those serving agricultural communities. Australian sales set a new record this year and included revenue from several track maintenance contracts.

A major product innovation in 1977 was the re-engineering of the Matisa designed P-811 track renewal train to meet North American railway specifications. The first machine manufactured by Tamper, which is shown in the accompanying photograph, was put into service by the Canadian National Railways in September 1977. Additional orders for P-811's have been booked for North America and Europe. Plans are well advanced for production of a Rail Changeout (RCO) machine, a derivation of the original Matisa P-811 track renewal train.

The Columbia, South Carolina, plant which was expanded in 1975 by 50%, is now operating near capacity. Further expansion of the plant is anticipated in 1978. Capital expenditures made in 1977 were primarily for a number of specialized machine tools.

Tamper's backlog reached $10.9 million at the end of 1977. Expectations are that the strong demand for track maintenance equipment will continue in 1978.

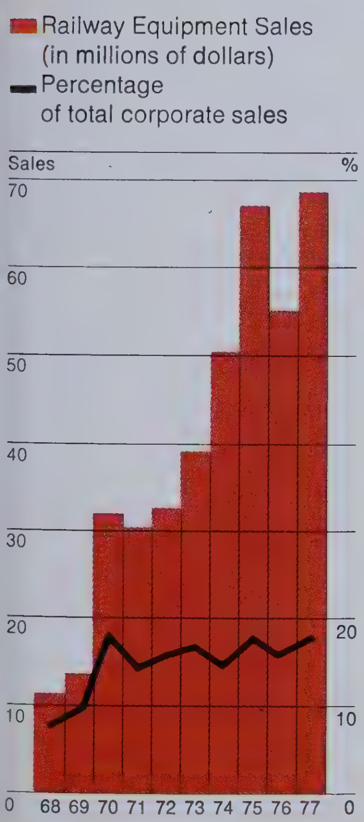
Matisa

1977 was another year of unsatisfactory results for Matisa with lower sales and a further operating loss.

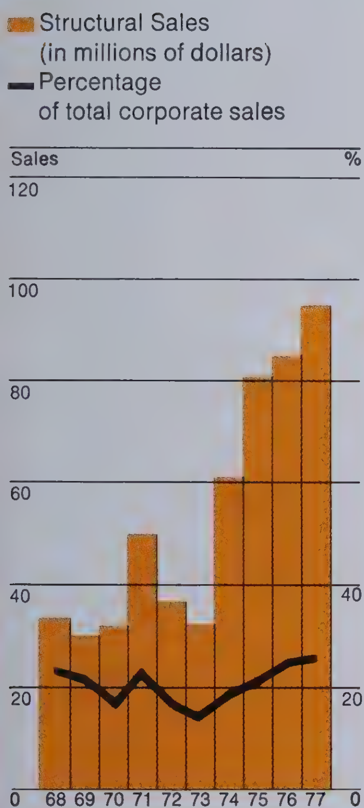
The division underwent a major restructuring of its organization and operations. Substantial reductions in personnel were made and the resulting cost savings will be evident in 1978. Several large orders were received in 1977 including twelve B-85 tamping machines for the Japanese National Railways, and sixteen PV-7 track analyzers for the Italian State Railways. Deliveries of both orders are scheduled for 1978. Indications are that the restructured operations have begun a long-awaited return to profitability.

The increasing value of the Swiss franc is an ongoing problem. Steps have been taken to improve the procurement of purchased material and components in order to reduce costs and minimize the impact of the currency problem.

Prospects for Matisa in 1978 are better than they have been for several years, in spite of continued weakness in much of the European market. The opening backlog of $11.3 million is 20% higher than the previous year, providing a good base for much of the year. Sales are expected to increase over 1977 and a modest operating profit is projected for the year.




CANRON



Eastern Structural

Contract closings (sales) this year were lower and profit margins were significantly below 1976.

Construction activity in Canada was severely depressed by a very poor Canadian market, and there was strong world-wide competition for a limited amount of export business. Eastern's shop and field performance on contracts was excellent throughout the year. New emphasis was placed on construction services with good results in 1977. Major construction services jobs included repairs to the Canadian section of the Thousand Islands bridge and installation of the Baumco Gas Cleaning system for Dofasco.

Completed export contracts included the fabrication of bridges to Malawi (East Africa) and Jamaica and portions of a pulp mill to Poland. Major contract closings in Canada were Texasgulf smelter building, Texaco refinery and Birwelco furnace for Gulf Oil.

The sharp fall off of construction activity in Québec necessitated a major reduction in the work force at the Montreal plant. Overall, the division operated at about 75% of the combined Toronto and Montreal plant capacity for the year 1977.

It is anticipated that 1978 will be a lean year, with strong competition for the larger jobs which will be out for tender. Increased emphasis will be given to potential export business. Jobs in progress include Dofasco melt shop (22,000 tons); Ontario Hydro, Thunder Bay generating station (10,000 tons); Ontario Hydro, Nanticoke coal handling facility (1,200 tons); stacker reclaimer, Thunder Bay (500 tons); Dofasco, Hamilton fugitive fume support structures (750 tons) and St. Félicien, Québec, pulp and paper mill (1,200 tons).

Western Bridge

Contract closings in 1977 were up substantially over the previous year, with the majority of the closings reflecting contracts booked in 1976 or prior. The 1977 operating profit was a record high for the division.

The low level of industrial and commercial construction in 1976 continued into 1977 and markets deteriorated even more as the year progressed.

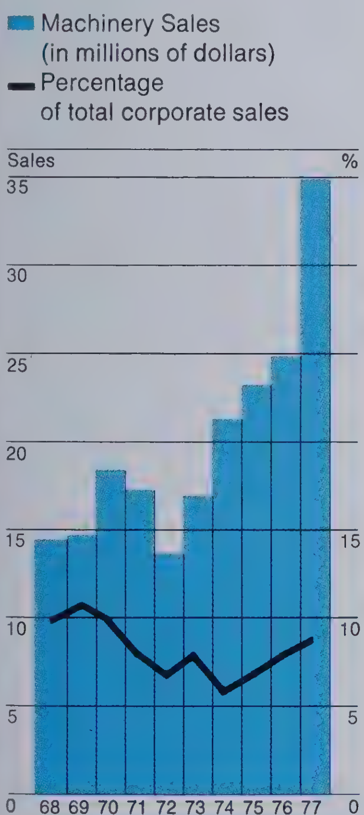
Western Bridge operated at 85% of normal capacity for most of 1977. Major contracts completed were Stikine Bridge, Canadian Cellulose pulp building and Inland Cement preheater tower, all in B.C. and Sundance 5 boiler building for Calgary Power in Alberta. Work on fifty-six dockside cranes, a joint venture with Mechanical division for East Africa was also completed.

The Star Iron unit in Tacoma, Washington, was successful in securing major orders, including the rebuilding of four container cranes for Taiwan, and a third Kingpost shipboard crane for Lockheed Shipbuilding. Pacific coast fabricators in Canada and the US are encountering severe competition from Japan on many structural and mechanical contracts in North America.

No major capital expenditures were made in 1977. Work was carried out on the Vancouver plant and yard to improve storage and material handling facilities and the aesthetics of the location.

Prospects for 1978 are poor. The Western Canadian markets are unlikely to improve, and bookings will continue to show very tight margins. The U.S. market for Star Iron is improving. The backlog at the start of 1978 was $39.5 million.

Erection of structural steel for Dofasco's new melt shop at Hamilton, Ontario. Canron Eastern Structural division fabricated and erected approximately 20,000 tons of structural steel for this job, and also installed a 335-foot high gas cleaning system through its construction services.



Mechanical

Sales and operating profit were both at record high levels this year in spite of a 14 week strike during the first half of the year.

This division in conjunction with Western Bridge division completed a contract to supply fifty-six dockside cranes to the East African ports of Dar-es-Salaam and Tanga in Tanzania, and Mombasa in Kenya. Export contracts booked in 1977 included pulp machinery to the U.S. for Parsons & Whittemore and Olinkraft.

Plant capacity was increased 20% with completion in the first quarter of a heavy steel fabrication shop at Trois-Rivières. Total cost of this addition was $2 million. The new shop is now being utilized for fabrication of the first of two contracts for James Bay hydraulic gates. These contracts are both joint ventures with Western Bridge division. A new numerically controlled plate burning machine and heavy milling machine with digital control were added in 1977 while a number of existing machine tools were relocated in the plant to improve the production layout.

The 1978 opening backlog is substantially lower than the previous year. There is unlikely to be any major pipeline construction in 1978 and this will mean only minimal production of oil and gas pipeline valves this year, although future prospects are promising. Sales and margins will be lower than the previous year, but incoming orders indicate a reasonable shop load for most of the year.

Pacific Press

Pacific Press and Shear division completed 1977 with near record sales and profits.

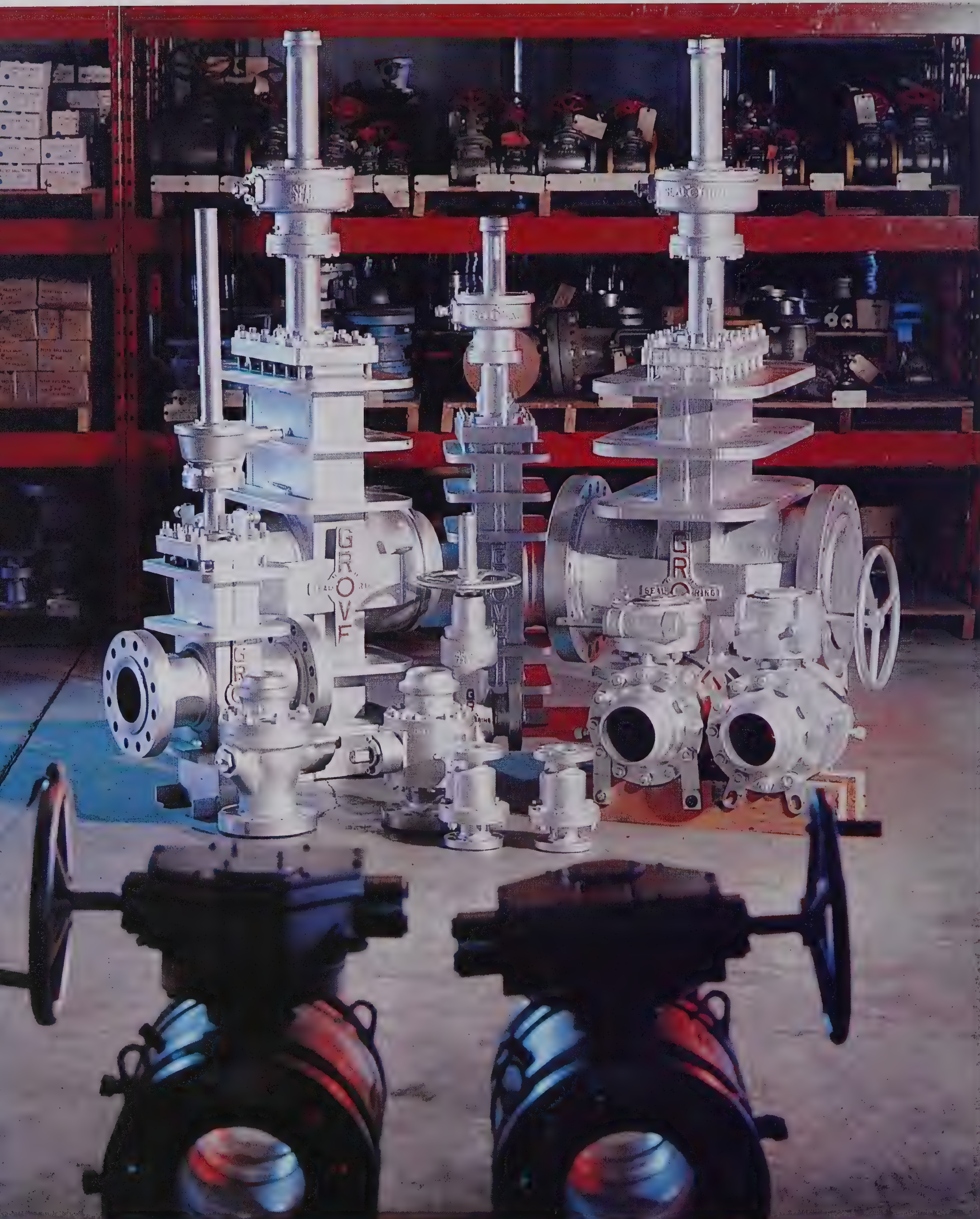
The division started the year with an above normal order backlog which resulted in extended delivery of some products during the year. A five week strike in November caused production losses and also delayed deliveries. Production facilities operated at full capacity for most of the year (the plant expansion in 1976 increased capacity 25%).

Development was completed in 1977 of an open back stationary (OBS) hydraulic press designed for high speed punching, blanking and drawing applications. Although the market to date for this type of product has been dominated by mechanical presses, Pacific's new hydraulic models are expected to capture a significant share of this market.

Fixed asset additions in 1977 included a large horizontal boring and milling machine with digital readout control. This equipment will provide a major increase in machining capacity as well as production cost benefits. Late in 1977 a project was commenced to upgrade the production scheduling system for the manufacturing operations. The system improvements will produce significant cost savings.

The 1978 outlook in the U.S. for machine tool sales is generally good. Pacific's broad product range and the introduction of the new OBS product line are expected to generate increased sales and profit margins. While the opening backlog was lower than the previous year, it will enable the division to improve its response to market competition by shortening delivery times.

Assembly of a K2000-30/22 "Pacific" hydraulic press brake at Mt. Carmel, Ill., plant. This press brake, weighing 224 tons and exerting as much as 2,000 tons of pressure, is capable of bending 1½" thick by 30-foot long steel plate.


GROVE

Canrep

The depressed level of industrial activity in Canada during 1977 affected Canrep's sales and profit margins and both were down from 1976.

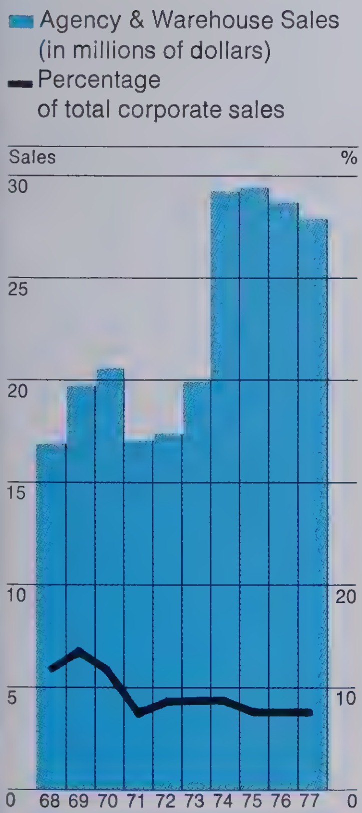
Sales of most general industrial product lines declined this year. Transportation equipment sales were good although some anticipated deliveries were deferred to 1978. Aerospace enjoyed better activity in many product areas. Orders have been received for several products to be incorporated in Canadair's new "Challenger" business jet. Repeat orders could easily extend over the next several years.

Manufacture and sale of Calvert bus duct reached record levels in 1977. A new product, isolated phase bus duct, to be manufactured under licence was added to this product group.

In December, Canrep acquired the business and assets of a pipeline valve service and repair operation in Edmonton, Alberta. This acquisition will provide a strong boost to the division's distribution of pipeline products in Western Canada.

The sales office and warehouse operations at Winnipeg and Vancouver were relocated in 1977 to more suitable facilities. A major programme of reorganization and personnel training was commenced at year-end to increase the capabilities and effectiveness of the division's operations.

Sales in 1978 will equal 1977 with improved profitability. The prospective activity in pipelines, a new fighter aircraft for Canada, harbors for LNG tankers, electric power generation and expansion of mass transit all offer good long-term prospects for Canrep products.



Canrep is a major distributor of gate, ball and plug valves for use in oil and natural gas pipelines, petrochemical, refinery and industrial plants. The larger valves for pipe diameters up to 60 inches are manufactured under license by Canron's Mechanical Division.

Personnel

Labour relations in Canada during 1977 continued to be strongly affected by the AIB controls introduced in October 1975. A total of fourteen contracts were settled in 1977 including seven which had expired the previous year. Ten of these were one year contracts, two for two years, and two for three years. Strikes were involved in two instances, – Pipe and Mechanical division plants at Trois-Rivières, Québec, – 14 weeks, and the Pacific Press plant, Mt. Carmel, Illinois – 5 weeks.

The AIB wage control programme is scheduled to be phased out starting April 14, 1978. Twenty-four of the Company's labour agreements expire in 1978 and all but five of these will be exempt from the AIB controls.

In Canada, retirement benefits were improved with increased past service pension credits for all eligible employees, and a guaranteed minimum pension after 25 years' service.

For the second time in recent years, pensions to retired employees and widows as well as payments to those on long-term disability were voluntarily improved to be effective Jan. 1, 1978. Pensions are currently being paid to 805 employees or widows of deceased employees while 87 employees were receiving long-term disability payments.

The total number of employees at December 31, 1977 was 5,557, down 266 from the previous year. There was a significant change in the employment pattern. Matisa's operations in Switzerland and Italy were reduced by 302 employees as a result of a complete reorganization. Canadian operations remained relatively stable with a reduction of 150 employees (4%) while employment in the United States increased by 190 employees reflecting the growth of the Company's US operations.

Continued emphasis in 1977 on health and safety programmes by both management and employees lowered injuries and lost-time accidents at almost all locations. Health and safety are basic parts of the Company's operating policies and this has led to improved work environment and encouraged active employee participation in ongoing health and safety programmes. During 1977 a large number of plant employees received instruction in first-aid practices and fire prevention.

Management development and in-plant training programmes were further expanded in 1977. Increased financial assistance for education has encouraged employees to take courses which improve their professional and technical knowledge and skills and opportunities for advancement.

The Quebec charter of the French language is applicable to the Company's operations in that province. A review commenced in 1974 determined that the Company is to a large extent already adhering to the conditions laid down by the charter. Canron intends to comply fully with the charter and to this end has organized the required francization committee, appointed linguistic coordinators for each location and established a meeting schedule.

A Scholarship Programme for children of employees was established by Canron in honour of Howard J. Lang on the occasion of his retirement as Chief Executive Officer in 1977. Undergraduate scholarship awards will be granted each year to one US student and two Canadian students. Each scholarship is for $1,000 annually and will be renewable for a maximum of three years.

Financial Review

Summary

Higher sales for 1977 compared with 1976 were not sufficient to counter a lower rate of gross margin, with the result that net earnings for the year were down 20.2% from the previous year.

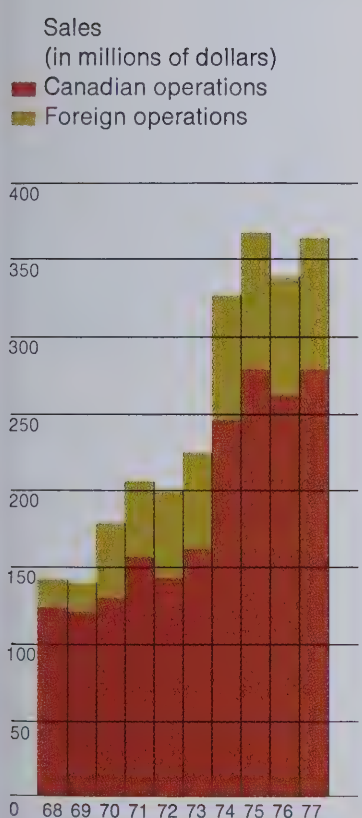
The Company's financial condition continued to strengthen with a slightly higher working capital ratio and a further increase in the equity portion of the Company's capitalization.

OPERATING RESULTS

	(millions) 1977	1976
Sales	**$363.1**	**$338.5**

Sales for 1977 were 7.3% or $24.6 million higher than 1976 and only $2.8 million below the record level set in 1975. Changes by product category from the previous year were as follows.

	1977	Increase (Decrease) from 1976
Foundry	$ 54.4	$ 1.7
Pipe	82.7	(9.7)
Railway Equipment	68.7	13.7
Machinery	34.9	10.0
Structural	94.5	9.6
Distribution	27.9	(0.7)
	$363.1	$24.6



A substantial part of structural sales represented contracts booked in prior years and is not a fair picture of the depressed market conditions at present or the near-term outlook.

Strong demand and near capacity operations for the U.S. based railway equipment operations accounted for the net increase in this product category, and the rise in share of total sales to 19% compared with 16% in the previous year in spite of a decrease in sales of the European railway equipment division.

Pipe sales were adversely affected by low demand in the provincial and municipal water markets, as well as a significant amount of iron pipe sales lost as a consequence of a fourteen week strike. Pipe share of total sales decreased in 1977 to 23% from 27% in 1976.

Additional details of sales by product classification are given in the Operating Review section of this report and Note 1 to the Financial Statements.

	(millions) 1977	1976
Sales	$363.1	$338.5
Cost of Sales	302.5	273.5
Gross Margin	**$ 60.6**	**$ 65.0**

Margin rates in 1977 and 1976 were 16.7% and 19.2%. The decrease this year reflected the much softer demand in construction oriented contracts which were booked after the market peaked in 1975 and then completed and recorded during 1977.

Foundry division was constrained from taking normal pricing action during a large part of 1977 in order to absorb nearly $1 million of AIB defined apparent excess revenue brought forward from 1976. The division carried out its compliance plan in accordance with AIB requirements. As would be expected, this action had a negative impact on 1977 gross margin.

Lower sales volume of pipe products, particularly iron pipe, reduced the consolidated gross margin. This product is volume sensitive, and the Pipe division represents a very significant portion of total sales.

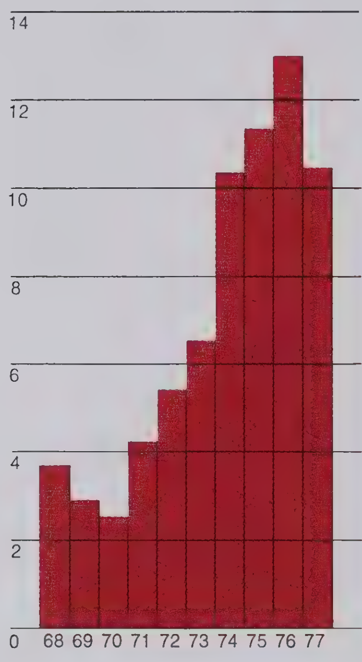
The increased volume of machinery and equipment products, as well as the mix within this product category, resulted in better margins than the previous year.

Railway equipment margins were mixed. U.S. based Tamper generated record business volume with substantial gains in margin amounts and rates. The Matisa gross margin on the other hand was again not satisfactory. A further write-off of $2.4 million was made for obsolete inventory and other charges largely relating to discontinuance of a major product and general reorganization of the operations of this division (there was a $2.0 million charge in 1976).

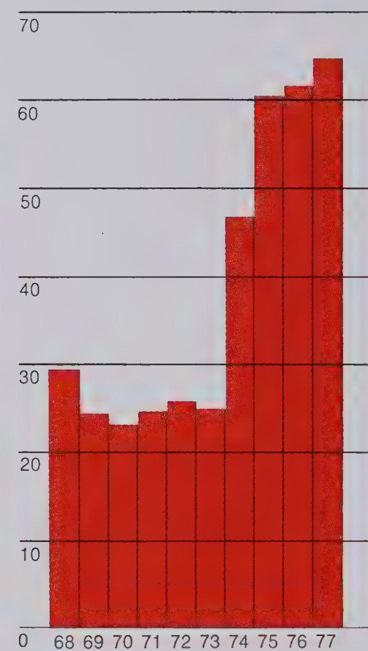
At the same time the 1977 margin of the Matisa division benefited from a one-time credit of $2.4 million resulting from a change in accounting policy for manufacturing overhead. Previously, the inventory for this division included only the cost of direct labour and material. The inclusion of manufacturing overhead now brings the accounts of the division into conformity with the accounting policies of the remainder of the company's operations. This change is also described in Note 2 to the Financial Statements.

As mentioned above, it was necessary for the company to absorb in 1977 AIB apparent excess revenue generated in the previous year. There were no similar excesses resulting from 1977 operations.

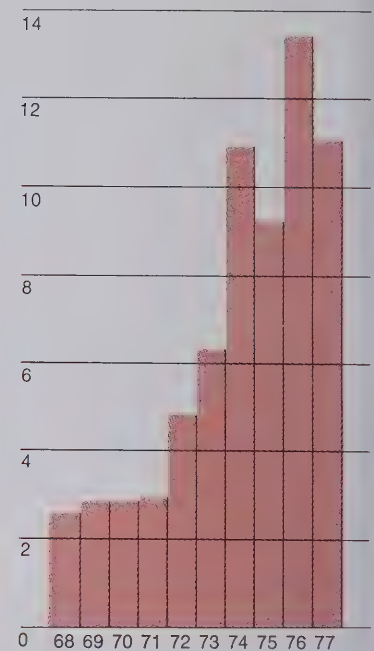
Net Earnings
(in millions of dollars)



Working Capital
(in millions of dollars)



Capital expenditures
(in millions of dollars)



	(millions) 1977	1976
Sales	$363.1	$338.5
Selling and Administrative Expenses	**$ 34.6**	**$ 33.5**

Selling and administrative expenses were up $1.1 million or 3.3% this year compared with 1976. However, the 1977 expense as a percentage of sales was 9.5% against 9.9% for the previous year. Special efforts were initiated early in 1977 to restrain expense spending in anticipation of the unsatisfactory outlook for business. As a result of these efforts, the increase was less than either the rate of growth in sales or the rates of inflation both in Canada and the United States.

Interest	**$4.9**	**$4.4**

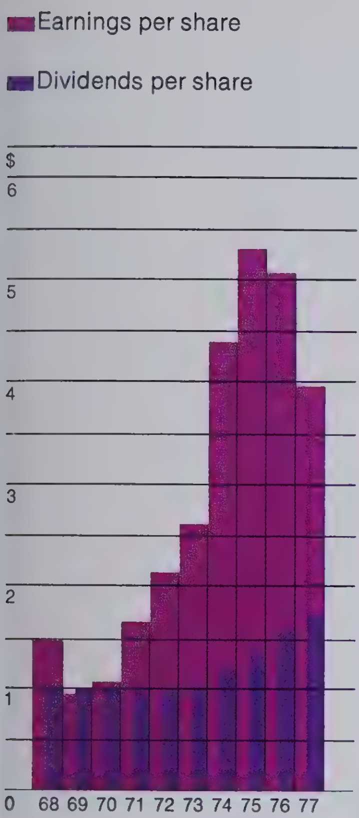
Increases in short-term borrowing in 1977 exceeded the scheduled repayments of long-term debt with the result that average borrowing for 1977 was higher than the previous year. Changes were also made in the source and currency of some short-term borrowing. These conditions combined to raise interest costs $514,000 over last year.

Short-term interest rate trends varied during 1977. Rates in Canada declined in the first half of the year and held steady for the second half. U.S. rates increased by ¼% increments in each quarter of 1977. Since the Company borrowed in both countries as well as in Europe, the rate changes tended to cancel out and the effective rate of interest on total debt was 8.6% for 1977 and 1976.

	(millions) 1977	1976
Net Earnings before Tax	$21,065	$27,083
Income Tax	**$10,700**	**$14,100**

The effective tax rate for 1977 of 50.8% was moderately lower than the 1976 rate of 52%. This change reflected shifts in the countries of origin of the taxable income.

The federal government's tax legislation in 1977 partially recognized the adverse tax effects of inflation by means of the 3% inventory tax credit. As a consequence of this legislation, provision for income taxes included a credit of $420,000. There was no similar item in 1976.



	(millions) 1977	1976
Sales	$363.1	$338.5
Net Earnings	**$ 10.4**	**$ 13.0**

About three-fourths of the $2.6 million decrease in net earnings resulted from the reduction of gross margin described above, with higher selling and administrative expense and interest costs accounting for the balance. The lower effective tax rate reduced the after-tax impact of these changes.

The 1977 net was 2.85% of sales against 3.84% in 1976. This change interrupted six successive years of improvements of the return on sales.

Earnings per Common Share

	(dollars)	
Basic	$3.96	$5.05
Fully diluted	$3.85	$4.82

Continued conversion of the 1974 convertible preferred shares is reflected in the diminished rate of dilution of the basic earnings per common share. The 1977 dilution factor was 2.8% compared with 4.6% for 1976.

FINANCIAL CONDITION

	(millions)	
Working Capital	**$64.4**	**$61.8**

The working capital ratio showed a minor increase this year to 1.77:1 from 1.74:1 for 1976.

The net increase of $2.6 million during 1977 covered several major changes in the items which make up working capital. Inventories increased $14.5 million as a result of actual and anticipated higher sales volume and increasingly competitive financial conditions on construction contracts (as they apply to progress billings). In addition, the previously described change in accounting policy for Matisa inventory (see also Note 2 to the Financial Statements) increased the stated value of the inventories by $2.4 million.

Trade accounts receivable were up 6% in line with increased sales. The total of receivables and inventories in relation to sales was 39.4% for 1977 compared with 36.8% for the previous year. Both percentages are within the operating parameters used by the company to determine acceptable levels of working capital.

The increase in receivables and inventories was financed through short-term borrowing in accordance with established policy of using short-term bank advances to meet fluctuating working capital requirements. Bank advances net of short-term investments totalled $26.1 million at the end of 1977 compared with $7.5 million at the end of the previous year. The Company maintains substantial bank lines of credit and less than 50% of these credits were used at any time during 1977.

	(millions) 1977	1976
Capital Expenditures	**$11.2**	**$13.3**

Capital expenditures of $11.2 million this year were only $2.1 million lower than the record outlay of $13.3 million in 1976. Depreciation for 1977 totalled $7.2 million compared with $6.6 million for the previous year.

Expansion of the Mechanical division plant at Trois-Rivières and a new concrete pipe plant at Cochrane, Alberta, for the Pipe Division were completed during 1977. Total cost of these projects was $7.8 million, of which $2.9 million was spent in 1977 and the remainder in 1976.

Work is currently underway to improve and expand the melting facilities of the iron pipe plant at Trois-Rivières, Québec, and the Company's general foundry at New Liskeard, Ontario. A total of $2.5 million was spent in 1977. When finished in 1978 these projects are expected to cost a total of $5.3 million.

Long-Term Debt	**$31.2**	**$33.1**

The Company's capitalization strengthened again in 1977. The debt portion decreased for the third successive year and the debt/equity ratio for 1977 was 28:72 compared with 31:69 the preceding year.

Debt repayment in 1977 totalled $1.8 million. This included $600,000 of scheduled payments together with sufficient open market purchases of outstanding sinking fund debentures to prepay the sinking fund requirements for 1978.

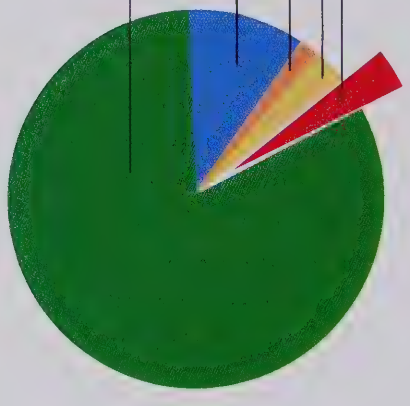
Open market purchase of debentures in advance of the statutory redemption dates reduced the amount of long-term debt shown as a current liability on the Statement of Financial Position. A similar condition existed for 1976.

Shareholders' Equity	**$79.5**	**$74.3**

As a consequence of lower net earnings in 1977, return on the common shareholders' equity was 13.2% compared with 18.1% for 1976.

The book value of each common share increased $2.18 to $29.74 as of December 31, 1977. This increase corresponded to the reinvestment in the Company of $5.8 million of 1977 net earnings.

Distribution of sales dollar	1977	1976
Cost of sales	83.3¢	80.8¢
Selling and administrative expenses	9.5¢	9.9¢
Interest expense	1.4¢	1.3¢
Income taxes	2.9¢	4.2¢
Earnings	2.9¢	3.8¢
Cash dividends	1.3¢	1.3¢
Retained earnings	1.6¢	2.5¢
	2.9¢	3.8¢



During 1977 a total of 11,165 shares of the 1974 Series Convertible Preferred shares were exchanged for 44,660 common shares (conversion rate – 4 for 1) increasing the total of common shares outstanding to 2,588,034.

Trading activity of the Company's common stock on the Montreal and Toronto stock exchanges totalled 667,000 shares for the year 1977. This is 8.9% lower than 1976 but continued to be substantially higher than the volume of trading prior to 1976. Additional details of common share price range and trading volume are included in the Highlights on page 1. The number of common stock shareholders of record at the end of 1977 was 4,031, a decrease of 189 for the year.

There were 25,397 shares of the 1974 Series Preferred outstanding at December 31, 1977 and 36,562 at the end of 1976 (the original issue totalled 50,000 shares). All of the oustanding 1956 Series Preferred shares were redeemed March 31, 1977, in accordance with the retirement formula for this series.

In December the shareholders authorized the creation of 5,000,000 preferred shares. At the same time the Company filed a preliminary prospectus for a public issue of straight preferred shares. However, market conditions subsequently deteriorated to the point that the prospectus was withdrawn. The prospective financing was in anticipation of future capital requirement and any new filing will be largely dependent on suitable market conditions.

	(millions) 1977	1976
Dividends	**$4.6**	**$4.4**

The common share dividend payments in 1977 totalled $1.72 per share compared with $1.60 in 1976. There was no change in the quarterly dividend rate during the year, and the 1977 payments amounted to 43% of net earnings.

The $1.72 dividend represented a yield of 7.2% on the 1977 closing price of the common shares.

Dividends amounting to $180,000 were paid in the year on the 1956 and 1974 Series preferred shares.

Accounting Policies

The principal accounting policies of Canron are summarized on page 24. All financial data in this annual report is based on historical costs.

The subject of accounting for inflation continues to occupy a large number of professionals and others. The volume of studies has grown over the past year without producing any consensus on a meaningful and practical method of reporting the financial impact of inflation on operating results.

The Canron report does not include supplementary inflation adjusted financial data. This position has been taken in the belief that the public in general, and shareholders in particular, will benefit from regular or supplementary data on accounting for inflation only when the accounting profession and the appropriate authorities can agree on an acceptable method, coupled with adequate public education and understanding of the changes.

The failure of Canadian and U.S. tax legislation to give meaningful recognition to the impact of inflation on investment in plant and equipment is a major practical problem. LIFO inventory valuation in the U.S. and the introduction in Canada of the 3% inventory credit are timid steps toward resolving this very real problem.

Canron is actively supporting and participating in current research on the subject of accounting for inflation.

Consolidated Statement of Earnings

For the year ended December 31, 1977		(thousands of dollars) 1977	1976
		$	$
Sales (note 1)		**363,101**	338,477
Costs and expenses	Cost of sales	**302,538**	273,537
	Selling and administrative	**34,581**	33,454
	Interest	**4,917**	4,403
	Income taxes	**10,700**	14,100
Net earnings for the year (note 2)		**10,365**	12,983
Earnings per common share	Basic earnings per common share	**$3.96**	$5.05
	Fully diluted earnings per common share	**$3.85**	$4.82

Consolidated Statement of Retained Earnings

For the year ended December 31, 1977		(thousands of dollars) 1977	1976
		$	$
Balance – Beginning of year		**60,207**	51,613
	Net earnings for the year	**10,365**	12,983
		70,572	64,596
	Dividends –		
	Preferred shares	**180**	280
	Common shares	**4,425**	4,109
		4,605	4,389
Balance – End of year		**65,967**	60,207

See Notes to Consolidated Financial Statements

Consolidated Statement of Financial Position

as at December 31, 1977

		1977	1976
	(thousands of dollars)	$	$
Current assets	Cash	**3,192**	998
	Short-term investments	**641**	19,033
	Accounts receivable	**67,547**	63,762
	Inventories (notes 2 and 3)	**75,408**	60,918
	Prepaid expenses	**1,316**	873
		148,104	145,584
Current liabilities	Bank advances	**26,716**	26,574
	Accounts payable and accrued liabilities	**50,433**	49,970
	Dividends	**1,151**	1,154
	Income taxes – current	**519**	1,374
	– deferred relating to contracts	**4,442**	4,076
	Long-term debt maturing within one year (note 5)	**459**	672
		83,720	83,820
Working capital		**64,384**	61,764
Fixed and other assets	Property, plant and equipment – at cost, less accumulated depreciation (note 4)	**53,270**	49,758
	Long-term accounts receivable	**1,080**	834
	Patents – at cost, less amortization	**315**	570
	Unamortized debenture discount	**483**	520
		55,148	51,682
Capital employed		**119,532**	113,446
Represented by			
Deferred income taxes		**8,795**	6,116
Long-term debt (note 5)		**31,231**	33,056
Shareholders' equity	Preferred shares (note 6)	**2,540**	4,184
	Common shares (note 7)	**10,999**	9,883
	Retained earnings (note 6)	**65,967**	60,207
		79,506	74,274
		119,532	113,446

Signed on behalf of the Board

H. J. Lang
Director

C. S. Malone
Director

See Notes to Consolidated Financial Statements

Consolidated Statement of Changes in Financial Position

	For the year ended December 31, 1977	(thousands of dollars)	
		1977	1976
		$	$
Source of funds	Net earnings	**10,365**	12,983
	Depreciation and amortization	**7,473**	6,875
	Deferred income taxes	**2,679**	913
	Provided from operations	**20,517**	20,771
	Proceeds from disposals of fixed assets	**543**	295
	Decrease in long-term accounts receivable		947
		21,060	22,013
Use of funds	Fixed assets – additions	**11,236**	13,306
	– arising from acquisitions		1,291
	Reduction of long-term debt	**1,825**	1,416
	Redemption of preferred shares – 1956 Series	**528**	367
	Dividends	**4,605**	4,389
	Increase in long-term accounts receivable	**246**	
		18,440	20,769
Increase in working capital		**2,620**	1,244
Working capital – Beginning of year		**61,764**	60,520
Working capital – End of year		**64,384**	61,764

Auditors' Report to the Shareholders

We have examined the consolidated statement of financial position of Canron Limited as at December 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles which, except for the change in accounting for factory overhead as referred to in note 2 to the financial statements, have been applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

February 13, 1978

Summary of Significant Accounting Policies

For the year ended December 31, 1977

Consolidation

The consolidated financial statements include the accounts of all subsidiaries from the date of acquisition. All inter-company balances and transactions are eliminated.

Revenue Recognition

Sales and earnings are recorded when the goods are shipped or the services provided to the customer, or when a construction contract is substantially complete. The concept of completed contracts is particularly applicable to the structural steel divisions which accounted for 26% of total sales in 1977. Construction contracts frequently extend over several years, resulting in significant fluctuations in quarterly and annual sales and profit from this source.

Research and Development

Expenditures for product development and research are expensed as incurred.

Income Taxes

Income taxes are based on the earnings reported in the consolidated financial statements. Timing differences for payment of taxes result from deferments of income on contracts in progress, as well as from tax incentives such as accelerated depreciation. Taxes arising from these differences are accounted for as deferred income taxes and are classified as current or non-current liabilities, depending on the nature of the asset against which the difference arises. These timing differences do not reduce the final amount of taxes payable.

Net Earnings per Share

Basic earnings per common share are computed on the basis of the average number of shares outstanding during the period, after deducting the dividends on the preferred shares. The average number of shares used for the computations were 2,569,025 and 2,516,403 for 1977 and 1976.

The fully diluted earnings per common share are computed as though the common shares related to conversions of the preferred shares – 1974 Series had actually been issued at the beginning of the year.

Inventory Valuation

Inventories are valued at the lower of cost or net realizable value. Costs are determined on an average basis or on a first in, first out (FIFO) basis, and manufactured inventories include costs for materials, labour and factory overhead. Costs incurred to date on uncompleted construction contracts are classified as work in process. Progress billings on contracts are deducted from inventories.

Fixed Assets

Land, buildings, plants and equipment are recorded at cost.

Provision for depreciation is based on the estimated useful life for each major classification of assets, calculated principally on the diminishing balance method. Rates range from 2.5% for some buildings to 30% for automotive and mobile construction equipment.

Maintenance and repairs, and minor replacements are expensed as incurred. Improvements which significantly increase the useful life of the asset are capitalized.

Patents

Patents purchased in prior years are being amortized over twelve years.

Foreign Currency Translation

The net working capital of all non-Canadian operations is translated into Canadian dollars at the rates of exchange in effect at year-end. The remainder of the assets and liabilities are translated at historical exchange rates. Income and expenditures of these operations are translated at average exchange rates for the year.

Exchange Gains and Losses

Realized gains and losses on foreign exchange transactions are recorded in the period in which they are incurred. Unrealized gains net of unrealized losses resulting from the translation of the accounts of the non-Canadian operations are deferred.

Notes to Consolidated Financial Statements

For the year ended December 31, 1977

1. Product Classification

	1977	1976
	%	%
Sales are classified as follows:		
Foundry	**15**	16
Pipe	**23**	27
Machinery	**9**	8
Railway	**19**	16
Structural steel	**26**	25
Agency and warehouse	**8**	8
	100	100

2. Change in Accounting Policy

During the year the Company changed the accounting policy for factory overhead at its European division. Inventory cost of this division now includes all factory overhead whereas, previously, indirect factory overhead was not included in inventory cost. The change was made to bring this division's accounts into conformity with the accounts of the remainder of the Company.
As a result of this change, inventories as at December 31, 1977 and net earnings for the year then ended have been increased by $2,373,000.

3. Inventories

	(thousands of dollars)	
	1977	1976
	$	$
Finished products	**27,252**	23,731
Work in process	**78,303**	74,346
Raw materials and supplies	**37,268**	34,696
	142,823	132,773
Less: Progress billings	**67,415**	71,855
	75,408	60,918

4. Property, Plant and Equipment

	(thousands of dollars)			
	1977			1976
	Cost	**Accumulated depreciation**	**Net**	Net
	$	**$**	**$**	$
Land	**4,187**		**4,187**	4,012
Buildings	**36,513**	**17,927**	**18,586**	18,499
Machinery and equipment	**85,897**	**55,400**	**30,497**	27,247
	126,597	**73,327**	**53,270**	49,758

5. Long-Term Debt

	(thousands of dollars)	
	1977	1976
	$	$
Debentures		
Canron Limited		
6¾% sinking fund debentures, series D due May 15, 1987	**9,600**	10,200
Sinking fund requirements –		
$600,000 on May 15, 1970 to 1979		
$800,000 on May 15, 1980 to 1986		
9¼% sinking fund debentures, series E due April 1, 1994	**14,700**	15,350
Sinking fund requirements –		
$650,000 on April 1, 1977 to 1986		
$850,000 on April 1, 1987 to 1993		
Matisa Matériel Industriel S.A.		
5½% sinking fund debentures, due December 15, 1983	**1,105**	1,134
Sinking fund requirements –		
S. frs. 200,000 on December 15, 1978 to 1982		
8½% debentures, due October 15, 1986	**1,500**	1,500
Canron Southern Inc.		
8½% to 8⅞% due in annual instalments to 1994	**2,900**	3,100
Mortgages – 3% to 11⅜% due at various dates to 1990		
Canron Atlantic Limited	**311**	374
Matisa Matériel Industriel S.A.	**1,574**	2,070
	31,690	33,728
Maturing within one year	**459**	672
Maturing after one year	**31,231**	33,056
	31,690	33,728

Payments required in the next five years to meet long-term debt requirements and sinking fund provisions (assuming historical exchange rates except for 1978 which is at the current year-end rate)

	(thousands of dollars)
1978	**$ 459**
1979	**1,713**
1980	**1,862**
1981	**1,871**
1982	**1,881**

6. Preferred Shares

	(thousands of dollars)	
	1977	1976
	$	$
Authorized –		
50,000 preferred shares, par value, $100 each, all of which have been issued		
Outstanding and fully paid –		
4¼% cumulative redeemable preferred shares – 1956 Series		528
25,397 $6.00 cumulative convertible redeemable preferred shares – 1974 Series	**2,540**	3,656
	2,540	4,184
Authorized –		
5,000,000 serial preferred shares, par value $25 each, none of which have been issued		

The 1974 Series preferred shares are each convertible at the option of the holder until April 1, 1984 into four fully paid common shares. A total of 11,165 shares were converted in 1977. The 1974 Series preferred shares are redeemable at the option of the Company out of the Retirement Fund at $103 or otherwise at $106. Under the terms of the prospectus, the Retirement Fund will be established commencing in 1985.

The 1956 Series preferred shares, that were outstanding on December 31, 1976 were all redeemed in 1977. On December 5, 1977 Supplementary Letters Patent were obtained cancelling 50,000 preferred shares, par value $100 each, and restoring to retained earnings $4,275,000 which had been set aside in accordance with the Canada Corporations Act.

The Supplementary Letters Patent also increased authorized capital by the creation of 5,000,000 serial preferred shares, par value $25 each.

7. Common Shares

	(thousands of dollars)	
	1977	1976
	$	$
Authorized –		
6,000,000 common shares of no par value		
Issued and fully paid –		
2,588,034 common shares	**10,999**	9,883

As a result of conversions of preferred shares – 1974 Series, 44,660 common shares were issued during 1977. As at December 31, 1977 there were 101,588 common shares reserved for issue against conversions of the outstanding preferred shares – 1974 Series.

8. Pension Plans

Under the pension plans of the Company and certain subsidiaries there existed an unfunded past service pension liability estimated at $1,750,000. The unfunded pension liability including interest is being funded by equal annual instalments of $200,000 to December 31, 1982, $175,000 thereafter to December 31, 1990 and $35,000 thereafter to December 31, 1996. These amounts will be charged to operations when paid.

9. Anti-Inflation Act

Under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975, the Company is subject to restraint of profit margins (prices), compensation and dividend payments on its Canadian operations.

10. Statutory Information

	(thousands of dollars)	
	1977	1976
	$	$
The following items are included in the consolidated statement of earnings:		
Depreciation	**7,181**	6,588
Amortization of – patents	**255**	250
– debenture discount	**37**	37
Interest on long-term debt	**2,819**	2,930
Remuneration of directors	**64**	54
Remuneration of officers	**1,216**	1,134

	1977	1976
Number of directors and officers:		
Directors	**14**	14
Officers	**12**	12
Officers who are directors	**2**	3

Ten-Year Review

		1977	1976
		(dollar amounts in thousands except per share figures)	
For the years ended December 31	Sales	$ 363,101	338,477
	Cost of sales	$ 302,538	273,537
	Selling and administrative expenses	$ 34,581	33,454
	Interest	$ 4,917	4,403
	Income taxes	$ 10,700	14,100
	Earnings (before extraordinary item)	$ 10,365	12,983
	As percentage of sales	2.9%	3.8%
	Extraordinary item	—	—
	Net earnings	$ 10,365	12,983
	Earnings per common share		
	Earnings (before extraordinary item)	$ 3.96	5.05
	Extraordinary item	—	—
	Dividend paid per common share	$ 1.72	1.60
	Capital expenditures	$ 11,236	13,306
	Depreciation	$ 7,181	6,588
	Return on common shareholders' equity	13.2%	18.1%
	Return on capital employed	8.7%	11.4%
Year-End Position	Current assets		
	Short-term investments	$ 641	19,033
	Accounts receivable	$ 67,547	63,762
	Inventories	$ 75,408	60,918
	Other	$ 4,508	1,871
	Total	$ 148,104	145,584
	Current liabilities		
	Bank advances and notes payable	$ 26,716	26,574
	Accounts payable and accrued liabilities	$ 50,433	49,970
	Other	$ 6,571	7,276
	Total	$ 83,720	83,820
	Working capital	$ 64,384	61,764
	Current ratio	1.8	1.7
	Net property plant and equipment	$ 53,270	49,758
	Other assets	$ 1,878	1,924
	Capital employed	$ 119,532	113,446
	Deferred income taxes	$ 8,795	6,116
	Long-term debt	$ 31,231	33,056
	Shareholders' equity		
	Preferred	$ 2,540	4,184
	Common	$ 76,966	70,090
	Total	$ 79,506	74,274
	Book value per common share	$ 29.74	27.56
	Number of common shareholders	4,031	4,220
	Common shares outstanding	2,588,034	2,543,374
	Number of employees	5,557	5,823
	Backlog of orders	$ 171,449	206,105

1975	1974	1973	1972	1971	1970	1969	1968
365,950	325,718	223,857	199,420	205,248	176,698	138,088	141,042
300,955	270,192	186,788	167,063	175,454	150,466	117,790	120,071
32,286	27,553	21,835	19,580	18,550	16,734	13,466	12,226
8,044	7,808	4,139	3,356	3,840	4,652	2,337	1,852
11,100	8,953	4,550	4,040	3,184	2,133	1,985	3,190
13,565	11,212	6,545	5,381	4,220	2,713	2,510	3,703
3.7%	3.4%	2.9%	2.7%	2.1%	1.5%	1.8%	2.6%
(2,248)	(890)	—	(30)	—	(180)	493	—
11,317	10,322	6,545	5,351	4,220	2,533	3,003	3,703
5.31	4.39	2.60	2.13	1.66	1.05	0.97	1.45
(0.90)	(0.36)	—	(0.01)	—	(0.07)	0.20	—
1.30	1.20	1.00	1.00	1.00	1.00	1.00	1.00
9,420	10,870	6,306	4,762	2,877	2,767	2,801	2,601
6,501	5,640	4,838	4,511	4,371	4,134	3,217	3,324
18.2%	19.1%	14.1%	12.6%	10.6%	6.5%	7.8%	9.7%
10.7%	10.8%	9.4%	7.8%	6.2%	3.7%	4.7%	6.0%
66,986	76,524	49,129	42,491	38,518	38,452	36,794	26,747
68,946	80,470	50,001	36,942	37,590	42,445	39,325	27,573
1,582	2,157	2,078	1,687	2,069	1,619	1,551	1,693
137,514	159,151	101,208	81,120	78,177	82,516	77,670	56,013
20,772	51,394	34,842	20,145	19,772	23,148	21,111	3,406
44,280	51,497	32,648	26,144	26,585	28,799	24,427	14,847
11,942	9,391	8,683	9,055	7,356	6,774	7,825	8,117
76,994	112,282	76,173	55,344	53,713	58,721	53,363	26,370
60,520	46,869	25,035	25,776	24,464	23,795	24,307	29,643
1.8	1.4	1.3	1.5	1.5	1.4	1.5	2.1
42,044	44,300	39,773	37,141	39,493	40,987	34,725	28,516
3,158	4,140	5,037	5,286	4,339	4,536	5,263	4,053
105,722	95,309	69,845	68,203	68,296	69,318	64,295	62,212
5,203	4,379	3,920	3,404	2,800	2,513	2,810	3,000
34,472	32,253	18,386	21,187	24,554	27,405	22,000	20,081
5,618	6,003	1,652	1,709	1,825	1,934	1,978	2,051
60,429	52,674	45,887	41,903	39,117	37,466	37,507	37,080
66,047	58,677	47,539	43,612	40,942	39,400	39,485	39,131
24.16	21.15	18.43	16.83	15.71	15.05	15.07	14.89
4,055	4,044	4,141	4,301	4,687	4,847	4,926	5,072
2,500,694	2,490,154	2,489,622	2,489,622	2,489,622	2,489,622	2,489,622	2,489,622
6,285	7,649	6,573	5,655	6,114	6,655	5,197	5,181
192,612	217,320	131,223	71,558	68,574	88,084	86,501	40,543

Facilities, Products & Services

Division	General Manager / Main Office	Offices and Plants	Products & Services
Eastern Structural Division	N. Dickinson, General Manager Main Office: 100 Disco Road Rexdale, Ontario M9W 1M1 Tel.(416) 675-6400	Offices: Montreal, Que.; Rexdale, Ont. Plants: Montreal, Que.; Rexdale, Ont.	Structural Steel fabrication and erection for buildings and bridges Construction Services Steel Joists Fabrication and erection of water and vapour conservation tanks Fabrication, erection and repairs of A.S.M.E. vessels
Western Bridge Division	G. Ward-Hall, General Manager Main Office: 145 West First Avenue Vancouver, B.C. V5Y 1A2 Tel.(604) 874-2311	Offices: Vancouver, B.C.; Tacoma, Wash. Plants: Vancouver, B.C.; Tacoma, Wash.	Microwave Structures Transmission Poles and Towers Hydraulic Gates Bulk Loading Terminals Container Cranes Gantry Cranes Conveyor Systems Shipping Containers Galvanizing Warehouse Steel
Mechanical Division	S. R. Palmer, General Manager Main Office: 100 Disco Road Rexdale, Ontario M9W 1M1 Tel. (416) 675-7440	Offices: Ville d'Anjou, Que.; Rexdale, Ont. Plant: Trois-Rivières, Que.	Pulp and Paper Machinery Steel Mill Equipment Rolling Mill Machinery Pipeline Valves Bulk Handling Equipment Cranes & Hoisting Machinery Hydraulic Gates Gear Drives Special Purpose Machinery Custom Fabrication and Plate work Contract Machining
Pipe Division	G. R. Masson, General Manager Main Office: 2120 Sherbrooke St. E. Montreal, Quebec H2K 1C3 Tel. (514) 527-3121	Offices: Dartmouth, N.S.; Ville d'Anjou, Montreal, Trois-Rivières, Quebec City, Que.; Ottawa, Toronto, Ont.; Winnipeg, Man.; Calgary, Alta.; Vancouver, B.C. Plants: Ville d'Anjou, Trois-Rivières, Que.; Toronto, Rexdale, Ont.; Calgary, Cochrane, Alta.	Ductile Iron Pipe Concrete Pressure Pipe Wear Resistant Pipe Fittings Hydrants
Plastics Division	R. A. St. Louis, General Manager Main Office: 9200 blvd. de l'Acadie Montreal, Quebec H4N 2T2 Tel. (514) 381-9331	Offices: Montreal, Que.; Rexdale, Ont.; Saint John, N.B. Plants: Berthierville, St. Jacques, Que.; Rexdale, Ont.; Saint John, N.B.	Plastic Pipe and Fittings Water — Polyethylene, PVC and CPVC Waste — Drain, Waste and Vent (ABS) Sewer (ABS and PVC) Electrical — Underground Duct (PVC) Rigid Conduit (PVC) Farm Drainage — Corrugated Pipe

Foundry Division	J. M. Gandy, General Manager Main Office: 3050 Harvester Road Burlington, Ontario L7N 3K7 Tel. (416) 681-1221	Offices: Burlington, New Liskeard, Ont. Plants: Hamilton (2), St. Thomas, New Liskeard, Ont.	Ingot Moulds and Stools Brakeshoes Municipal Castings Mill Liners Various Grey, Ductile and Alloy Iron Castings Mine Cars, Cages and Skips
Railgroup	Tamper G. R. Grinton, Operations Manager Main Office: 2401 Edmund Road West Columbia, S.C. 29169 Tel. (803) 794-9160 Matisa Matériel Industriel S.A. H. P. Koenig, General Manager Main Office: Arc-en-Ciel 2, Crissier, Switzerland Tel. (021) 34.99.31	Offices: W. Columbia, S.C.; Toronto, Ont.; Lachine, Que.; Melbourne, Australia Plants: W. Columbia, S.C.; Toronto, Ont.; Melbourne, Australia Offices: Crissier, Switzerland; Bielefeld, West Germany; Palomba, Italy; Paris, France; Madrid, Spain; Bedford, England; Tokyo, Japan Plants: Crissier, Renens, Switzerland; Palomba, Italy; Madrid, Spain; Sens, France	Tamping Equipment – Manual, Semi Automatic Fully Automatic Production Tampers Switch Tampers Spot Tampers Track Equipment – Track Renewal Trains Car Movers Rail Laying Machines Automatic Spike Drivers Track Recording Cars Brush Cutters, Snow Blowers Rail Gauging Machines Rail Lubricators Track Gauges and Levels Ballasting Equipment – Ballast Cleaners, Regulators Compactors, Switch and Track Undercutters Power Tools – Tie Renewers, Rail Saws Tie Drills, Spike Pullers and Drivers, Rail Bolters Drills, Grinders
Pacific Press & Shear Company	E. W. Pearson, President Main Office: 421 Pendleton Way Oakland, California 94621 Tel. (415) 635-7900	Offices: Mt. Carmel, Ill.; Oakland, California Plant: Mt. Carmel, Ill.	Hydraulic Press Brakes Hydraulic Shears Hydraulic Straightside Presses Hydraulic Pressformers Hydraulic OBS Presses Dies Automatic Gauging Equipment Special Hydraulic Equipment Hydraulic Control Valves Northrup Stretch-Form Equipment
Canrep Limited	J. Robert, General Manager Main Office: 3745 St. James St. West Montreal, Quebec H4C 1H4 Tel. (514) 933-6741	Offices: New Glasgow, N.S.; Montreal, Que.; Toronto, Hamilton, Sault Ste. Marie, Ont.; Winnipeg, Man.; Edmonton, Calgary, Alta.; Vancouver, B.C. Warehouses: New Glasgow, N.S.; Montreal, Que.; Toronto, Hamilton, Ont.; Winnipeg, Man.; Edmonton, Alta.; Vancouver, B.C.	Rail, Truck, Bus and Aviation Products Electrical Bus Duct Instrument and Electronic Products Hydraulic and Pneumatic Products Vibration Absorbers Materials Handling Equipment Pipeline and Process Valves Plastics Trackwork and Related Supplies Air Moving and Conditioning Equipment

Directors and Officers

Directors

W. J. Bennett
Consultant,
Iron Ore Company of Canada, Montreal

+J. T. Black
President,
The Molson Companies Limited, Toronto

S. R. Blair
President and Chief Executive Officer,
The Alberta Gas Trunk Line Company Limited,
Calgary

P. Côté
Chairman of the Board, Laiterie Laval Limitée,
Quebec

J. S. Dinnick
Corporate Director,
Formerly Chairman of the Board,
McLeod, Young, Weir & Company Limited, Toronto

T. M. Galt
President,
Sun Life Assurance Company of Canada,
Montreal

J. C. Gilmer, Corporate Director.
Formerly President and Chief Executive Officer,
Canadian Pacific Air Lines, Limited, Vancouver

J. D. Houlding
President and Chief Executive Officer,
Polar Gas Project, Toronto

J. G. Kirkpatrick, Q.C.
Partner,
Ogilvy, Montgomery, Renault, Clarke,
Kirkpatrick, Hannon & Howard, Montreal

H. J. Lang
Chairman of the Board,
Canron Limited, Montreal

*M. W. Mackenzie
Corporate Director, Ottawa

C. S. Malone
President and Chief Executive Officer,
Canron Limited, Montreal

P. L. Paré
President and Chief Executive Officer,
Imasco Limited, Montreal

C. Perrault
President, Perconsult Ltd., Montreal

F. H. Sherman
President and Chief Executive Officer,
Dominion Foundries and Steel, Limited,
Hamilton

+Elected Feb. 22, 1978
*Retired Feb. 22, 1978
□Appointed Feb. 22, 1978
**Deceased, Nov. 25, 1977

Honorary Directors

□M. W. Mackenzie
A. D. McCall
**H. E. McKeen

Executive Committee Members

J. D. Houlding, J. G. Kirkpatrick, H. J. Lang,
*M. W. Mackenzie, C. S. Malone, P. L. Paré

Audit Committee Members

J. S. Dinnick, J. C. Gilmer, J. G. Kirkpatrick,
C. Perrault, F. H. Sherman

Salary and Benefit Committee

P. Côté, T. M. Galt, J. G. Kirkpatrick,
H. J. Lang, P. L. Paré

Officers:

H. J. Lang
Chairman of the Board

C. S. Malone
President and Chief Executive Officer

W. S. Cullens
Executive Vice-President and
Chief Operating Officer

W. Niles
Executive Vice-President, Finance

B. E. Jackson
Group Vice-President

J. K. Stewart
Group Vice-President

G. F. Talbot
Group Vice-President

F. E. Miller
Vice-President, Corporate Development

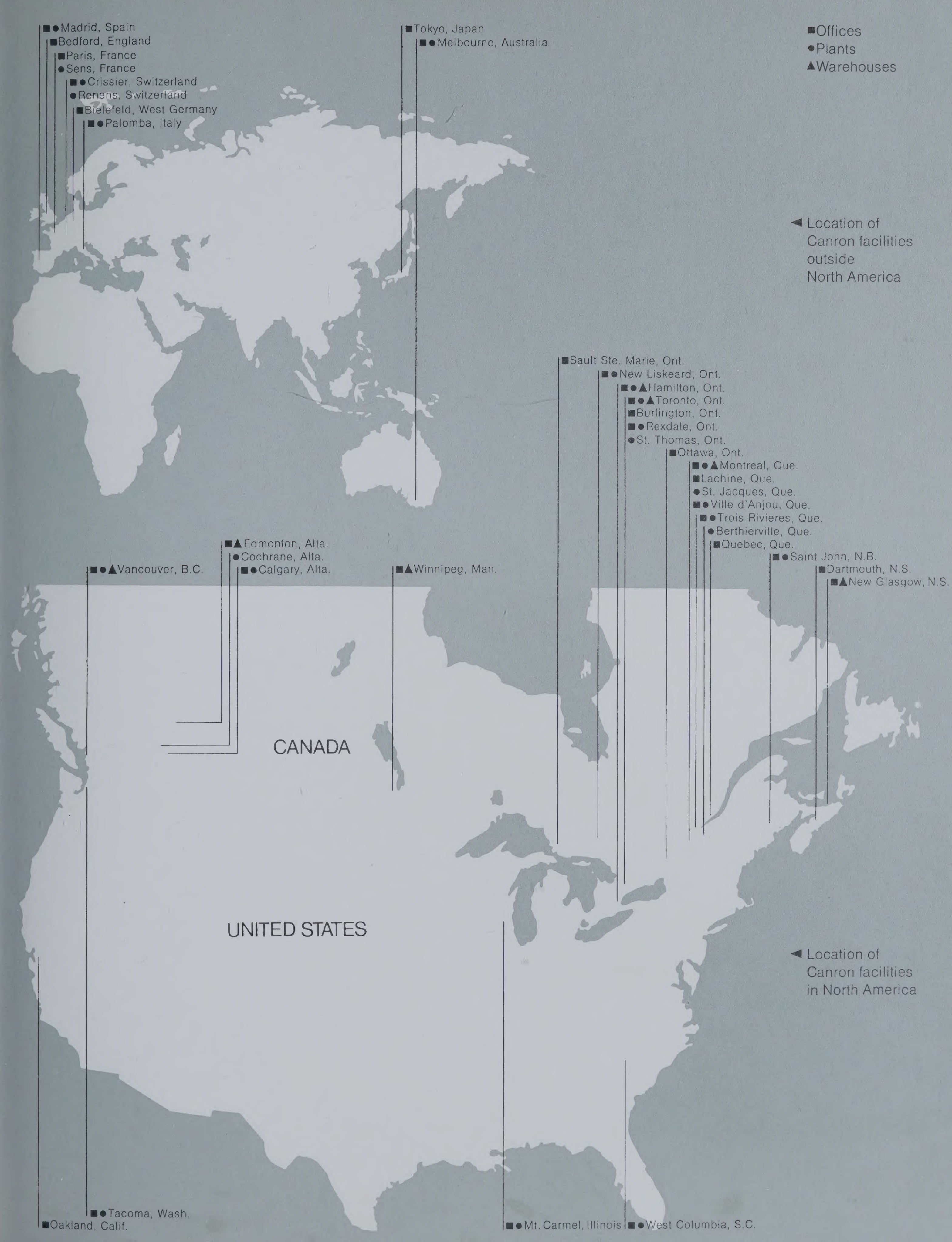
F. A. Collier
Vice-President, Personnel and
Industrial Relations

P. M. Draper
Vice-President and Secretary

C. M. Thomson
Vice-President

M. D. Calder
Controller

W. D. Moncur
Treasurer


■●Madrid, Spain
■Bedford, England
■Paris, France
●Sens, France
■●Crissier, Switzerland
●Renens, Switzerland
■Bielefeld, West Germany
■●Palomba, Italy
■Tokyo, Japan
■●Melbourne, Australia
■Offices
●Plants
▲Warehouses
Location of Canron facilities outside North America
■Sault Ste. Marie, Ont.
■●New Liskeard, Ont.
■●▲Hamilton, Ont.
■●▲Toronto, Ont.
■Burlington, Ont.
■●Rexdale, Ont.
●St. Thomas, Ont.
■Ottawa, Ont.
■●▲Montreal, Que.
■Lachine, Que.
●St. Jacques, Que.
■●Ville d'Anjou, Que.
■●Trois Rivieres, Que.
●Berthierville, Que.
■Quebec, Que.
■●Saint John, N.B.
■Dartmouth, N.S.
■▲New Glasgow, N.S.
■▲Edmonton, Alta.
●Cochrane, Alta.
■●Calgary, Alta.
■●▲Vancouver, B.C.
■▲Winnipeg, Man.
CANADA
UNITED STATES
Location of Canron facilities in North America
■●Tacoma, Wash.
■Oakland, Calif.
■●Mt. Carmel, Illinois
■●West Columbia, S.C.

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